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Demographic Shifts and Economic Challenges in the European Union

Addressing the Impact of Aging Populations on Social Security, Healthcare and Labour Markets

This study explores the significant demographic shifts and economic challenges faced by the European Union (EU), focusing on the implications of an ageing population. As life expectancy increases and birth rates decline, the proportion of elderly individuals in the EU rises, placing substantial pressure on social security, healthcare systems and labour markets. This paper examines the multifaceted impacts of these demographic changes, including the strain on healthcare services and pension schemes, the potential for economic growth through the productivity of senior employees, and the necessity for holistic strategies that address regional and national variations. Additionally, the research delves into the effects of the Covid-19 pandemic on demographic trends, highlighting the need for proactive policies to support an ageing populace. Through a comprehensive analysis of demographic data, labour market trends and policy initiatives, this study aims to provide a nuanced understanding of the repercussions of an ageing population and proposes strategic measures to mitigate the associated challenges while leveraging opportunities for economic development and innovation.

Keywords: ageing population, demographic shifts, European Union, labour markets, economic stability, economic development, labour productivity, continuous learning, automation and technology, social security, healthcare systems

Introduction

In the 21st century, Europe grapples with numerous social challenges stemming from significant demographic transformations. This paper explores the multifaceted repercussions of these shifts, particularly emphasising the ageing populace in the European

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Union (EU). The escalating proportion of elderly individuals presents substantial ramifications for social security and healthcare systems, labour markets and economic steadiness. As life expectancy climbs and birth rates plummet, EU member states must navigate the strains on their healthcare services and pension schemes. This demographic shift, while entailing challenges, also presents prospects for economic development and innovation. For instance, senior employees can boost labour productivity, and varied age cohorts can uniquely contribute to the economy. To effectively tackle these demographic transformations, holistic strategies that account for regional and national variances are imperative. Ensuring the sustainability of social security and healthcare systems, bolstering labour market flexibility, fortifying educational institutions, and deftly managing immigration policies are pivotal actions. The recent deceleration in population growth, exacerbated by the Covid-19 pandemic, further complicates the demographic landscape. This deceleration, characterised by dwindling birth rates, rising mortality rates and inadequate migration, underscores the necessity for proactive policies to support an ageing populace. Urban and rural areas manifest distinct demographic dynamics, each presenting distinctive challenges and opportunities. The primary aim of this research is to address the following research questions:

1. How do demographic changes, such as ageing populations and low birth rates, influence economic growth and labour market dynamics in the European Union?
 - An ageing population engenders amplified fiscal strain on healthcare and social security systems in the European Union.
2. How does the ageing workforce impact labour market productivity and economic stability in the EU?
 - Ageing workers substantially contribute to economic stability through their expertise and experience, notwithstanding potential physical and cognitive limitations.
3. What role can automation and technology play in mitigating the challenges posed by an ageing workforce?
 - Integration of automation and technology in workplaces will alleviate some of the physical strains on older employees, augmenting their productivity and job satisfaction.
4. How can continuous learning and adaptable work arrangements enhance the competitiveness and productivity of older employees?
 - Ongoing learning and training programs markedly elevate the employability and competitiveness of elder workers in the labour market.

Addressing the socioeconomic opportunities and problems brought about by the ageing population in the European Union (EU) is the aim of the study. Social security, healthcare systems, labour markets and economic stability are all significantly impacted by the demographic shift towards an older population as life expectancy rises and birth rates fall. The research intends to investigate how these changes impact labour market dynamics, healthcare demands and economic growth. It also looks at how older workers' experience and knowledge might benefit the economy.



The study adds to the problem of ageing by suggesting all-encompassing approaches to handling the demographic shift. These tactics include boosting labour market flexibility, encouraging legal immigration to alleviate labour shortages, supporting lifelong learning for older workers, and strengthening the sustainability of the healthcare and social security systems. The study also emphasises how automation and technology can help older workers with their physical demands, promote economic growth and ease the burden on public coffers. All things considered, it gives legislators a framework for putting policies into place that strike a balance between economic expansion and the welfare of the elderly population.

This study employs a methodology encompassing an exhaustive examination of demographic data, labour market trends, and policy endeavours within the EU. Through a blend of statistical analyses, literature reviews and case studies, the research endeavours to provide a nuanced comprehension of the repercussions of demographic variations. Principal focal points include the impacts of an ageing population on healthcare requirements, labour market dynamics, and the viability of social security systems.

Social challenges in the 21st century

The effects of demographic changes in the European Union

Addressing the challenges associated with demographic shifts holds paramount importance for states, particularly concerning social security and healthcare systems. An ageing population can exert significant pressure on healthcare services due to the increased likelihood of elderly individuals experiencing chronic ailments. Labour market obstacles stemming from low birth rates and demographic transformations may lead to elevated debt levels and budget deficits within states.² Despite posing formidable challenges, demographic shifts also present opportunities. For instance, a more diverse age distribution can foster economic growth, with minority groups contributing significantly to economic activities compared to the broader society. Moreover, enhancing the labour force participation of older employees can enhance labour productivity and spur economic expansion. States and societies must formulate comprehensive strategies to navigate demographic changes, considering both regional and national variances. Ensuring the sustainability of social security and healthcare systems to meet the needs of an ageing populace is imperative. Additionally, initiatives to enhance labour market flexibility, strengthen educational systems and manage immigration policies adeptly can play a crucial role in effectively addressing demographic transitions. While demographic alterations introduce challenges, they also bring about prospects, particularly in fields such as innovation, the digital economy and service industries. It is imperative that states acknowledge and leverage new technologies and societal shifts for the betterment of social and economic progress.

² On the further and more comprehensive effects of ageing, see for example MARTON 2018.



In recent years, the rate of population growth has decelerated, reaching a critical point due to the impact of the Covid-19 pandemic. This deceleration is a consequence of decreased birth rates, increasing mortality rates, and diminishing net migration.³ Alternative perspectives suggest that the combination of reduced births, increased deaths and insufficient migration failed to counterbalance population decline, marking a departure from previous trends. Projections indicate that the population of the European Union will continue to expand until 2029, after which a gradual decline, albeit slow, is expected.⁴

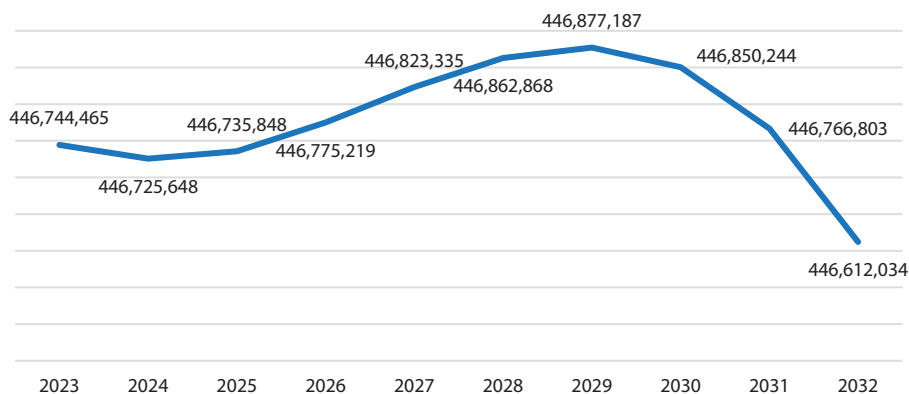


Figure 1: Population projections for the European Union between 2023 and 2030

Source: compiled by the author based on Eurostat 2022f

Population decreases manifests differently across various regions within individual countries. Rural areas in Europe continue to exhibit a higher average age compared to urban and suburban regions. Demographic shifts are intricately intertwined with challenges such as inadequate connectivity, subpar infrastructure, productivity issues and shortcomings in public services like education and healthcare, along with the decreasing appeal of rural areas for residency and employment. The aspirations of young individuals can catalyse substantial demographic transformations in specific geographical locations.⁵ The preferences of newer and more highly educated generations fundamentally alter the population composition and economic landscape of cities. Certain major cities that draw in young, highly skilled professionals boast significant growth potential, which can enhance economic prosperity and urban infrastructure. Conversely, regions grappling with economic crises and high unemployment rates struggle to attract and retain workers, thereby impacting the urban milieu considerably. This shift also significantly influences the urban environment, prompting the need for novel sustainable development strategies. Urban planning and design approaches must tackle challenges related to sustainable energy sources, transportation systems, green spaces

³ Eurostat 2022e.

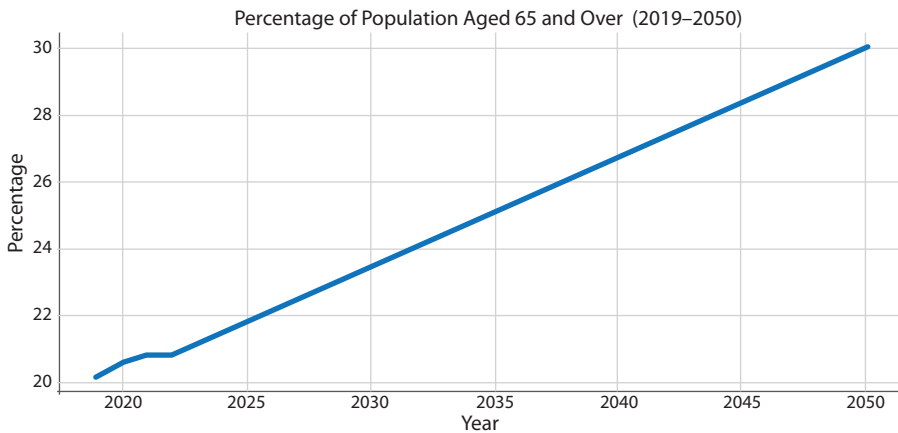
⁴ Eurostat 2023a.

⁵ GOUJON 2021.



and environmental conservation. Social cohesion must be a focal point for cities to prevent social exclusion. Addressing economic and social disparities is crucial for ensuring the sustainable advancement of urban areas. Cities must adapt to emerging challenges and prospects to uphold sustainable development, economic welfare, social equity and environmental sustainability.

The phenomenon of population ageing is a long-term process that commenced several decades ago in Europe. This dynamic is characterised by a rising proportion of elderly individuals within the overall population, coupled with a diminishing share of the working-age demographic. Within the European Union as of 1 January 2021, individuals aged 65 and above constituted 20.8% of the populace – a 0.2 percentage point increase from 2020 and a 0.6 percentage point rise from 2019. Projections indicate that by 2050, the elderly segment in Europe will surpass 30%, leading to a heightened old-age dependency ratio, with fewer than two individuals of working age for each elderly person. This demographic shift is anticipated to persist in the future.⁶ The expansion of the ageing population is magnifying issues related to fiscal sustainability. An ageing populace necessitates elevated healthcare and long-term care services, demanding augmented expenditure and infrastructural adjustments to ensure universal accessibility.⁷ The presence of an elderly demographic poses challenges to sustaining adequate pension schemes, notably impacting women who, due to their longer life expectancy, frequently rely more on long-term benefits, receiving pensions averaging 26.9% less than men. The collective expenses associated with ageing, constituting 24% of GDP in 2019, are projected to surge by 1.9 percentage points of GDP by 2070 based on the assumptions outlined in the 2021 Ageing Report.⁸



⁶ Eurostat 2023b.

⁷ Eurostat 2022b.

⁸ European Commission 2021.



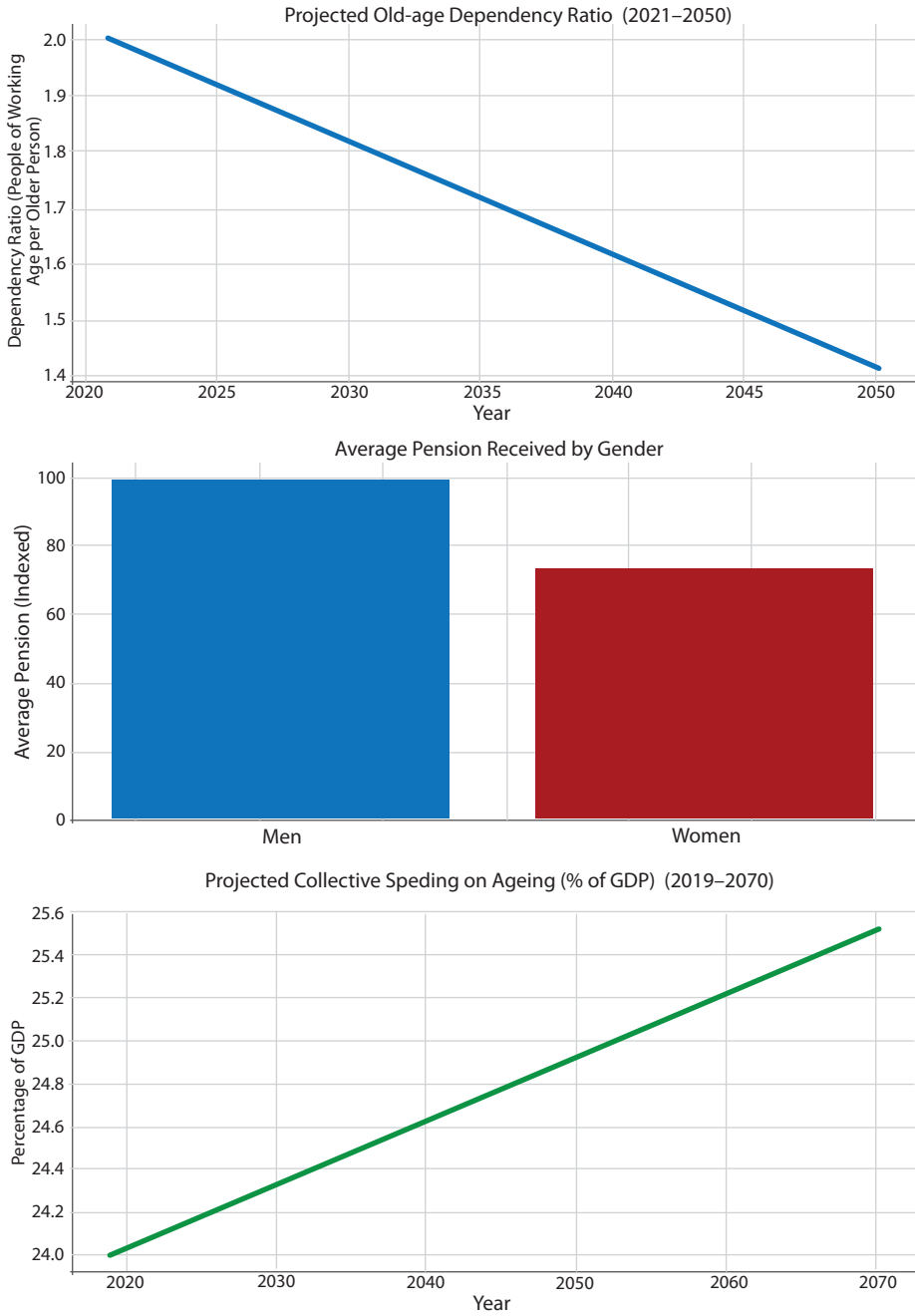


Figure 2: The consequences of ageing societies in different contexts
 Source: compiled by the author based on European Commission 2021



In economic terms, imbalances in intergenerational transfers may arise, given the challenge of replacing the heightened labour productivity of middle-aged workers. This imbalance could act as a national and regional constraint on economic advancement. Addressing these challenges necessitates a cohesive, proactive ageing policy encompassing all relevant stakeholders. Collaboration between employers and employees is crucial to reshaping work environments and practices, as well as combating generational biases and stereotypes to support extended working hours. Such initiatives must not only entail reforms in employment and social security policies but also transcend them.⁹

The number of households in Europe is currently on the rise, while simultaneously, the size of individual households is decreasing. This shift indicates a preference for smaller living spaces such as apartments rather than larger detached houses. Factors contributing to this trend include evolving lifestyles and economic conditions. Smaller household sizes reflect changing needs for living space; for instance, smaller households typically prefer compact apartments that are easier to maintain and require less space. This optimised space utilisation leads to reduced maintenance costs. The growing demand for efficient and sustainable homes is underscored by the increasing count of homes and diminishing household sizes. This trend is expected to persist, prompting the housing market to adapt to these evolving preferences.¹⁰

The demographic makeup of the labour market in the European Union has demonstrated stability in recent years. Despite the increasing participation of women in the workforce, the gender employment disparity remained pronounced in 2021. Women exhibited an employment rate of 67.7%, contrasting with men at 78.5%, highlighting the substantial gender employment gap prevalent within the European Union.¹¹ Although strides have been made in narrowing this gap, the discrepancy persists as a pressing concern. To address this issue, the European Union has implemented various initiatives to enhance women's employment prospects. These encompass initiatives such as enhancing parental leave duration and offering flexible work arrangements. Moreover, the EU has established targets, including achieving a 75% female employment rate by 2020. Nonetheless, further actions are required to diminish the gender employment divide. Education and vocational training are pivotal in empowering women to secure suitable employment opportunities. Employers and governments play significant roles in fostering a supportive work environment conducive to women's career advancement within the EU. In the 15–29 age group, unemployment rates remained elevated across both genders in 2021, at 13% in the European Union. It is essential to recognise that youth unemployment rates vary among EU member states, with some nations exhibiting substantially higher rates, such as Spain with 32.3%, and lower rates observed in countries like the Czech Republic at 5.7%.¹² In recent years, the EU has implemented various measures to ameliorate the labour market conditions for young individuals. Initiatives include supporting educational and vocational training programs and launching schemes to promote youth employment.¹³

⁹ MASON-LEE 2022.

¹⁰ Eurostat 2022c.

¹¹ Eurostat 2022a.

¹² Statista 2023.

¹³ Eurostat 2022g.



It is indisputable that despite the relaxation of measures against the Covid-19 pandemic in the European Union and its member states, the proportion of individuals vulnerable to poverty or social exclusion has either stabilised or increased from 2020 to 2021. As per the European Commission's 2021 report on the annual monitoring of the pillars of social rights, the count of people at risk has surged to 95.4 million, constituting 21.7% of the populace. This phenomenon can be elucidated by the persistent harsh economic repercussions of the Covid-19 pandemic in both the EU and its constituent member states. Those already grappling with financial adversity or those who lost employment due to the pandemic persist in facing heightened risks of poverty and social exclusion. While the European Commission and individual Member States are implementing various measures to aid individuals in such circumstances – like extending job creation initiatives, social welfare provisions and housing subsidies – it is imperative that these efforts persist and are reinforced to mitigate the risk of poverty and social exclusion within the EU.¹⁴ Escalating energy costs and surging inflation can significantly impact the financial well-being of energy consumers, thereby heightening the jeopardy of poverty and social exclusion. The REPowerEU framework is designed to ameliorate energy price volatility and enhance energy source diversification. By boosting energy efficiency and curbing energy consumption, the package seeks to reduce energy prices, ultimately alleviating the financial burdens of energy users and lessening society's reliance on energy. The initiatives outlined in the package encompass promoting the shift to renewable energy sources, establishing energy efficiency targets and fostering requisite investments. Moreover, enhancing energy supply security necessitates integrating energy production and delivery diversification into the package. Addressing energy poverty in energy policy is paramount, ensuring that energy prices and accessibility do not pose risks of impoverishment. Proficient management of energy prices and usage can be instrumental in promoting sustainable development and combating climate change.¹⁵

The ageing society is one of the biggest social and economic challenges of our time

Ageing societies are becoming a significant global challenge, impacting various aspects of life including healthcare, socio-economic structures and social inclusion. Ageing populations lead to increased prevalence of chronic non-communicable diseases (CNCDs), physical frailty and neurodegenerative diseases, which place a significant burden on healthcare systems.¹⁶ There is a need for strategic healthcare planning, including annual health checks and affordable treatments, to manage the health of the elderly.¹⁷ Ageing societies face economic challenges such as increased demand for pensions, social security, and healthcare funding, which can strain public resources.¹⁸ The economic gap

¹⁴ Eurostat 2022d.

¹⁵ European Commission 2022.

¹⁶ CUI 2023.

¹⁷ FANG et al. 2020.

¹⁸ PASCHALINE et al. 2023.



between generations and the need for sustainable policies to support the elderly are critical issues.¹⁹ Older adults often experience social isolation, loneliness and limited social participation, which can lead to mental health issues such as depression and cognitive disorders.²⁰ Urbanisation and changing family structures contribute to the psychological burden on older adults, necessitating social protective measures.²¹

The ageing populations present a significant challenge to societies and governments worldwide. Addressing these challenges involves enhancing healthcare, promoting active ageing and continuous learning and advocating for legal immigration to bolster the workforce. Enhancing healthcare is crucial due to the increased likelihood of medical care and support needed by the ageing population. Adequately preparing the healthcare system for the elderly's needs and considering the burdens associated with an ageing population is essential for the provision of social welfare services. Supporting active ageing and lifelong learning plays a vital role in the labour market and economy. Preserving and transferring the experience and knowledge inherent in the ageing population to newer generations can bring notable benefits. Promoting active ageing through activities like sports can foster the health of older individuals and enhance their participation in the labour market. Encouraging legal immigration is also significant in alleviating labour shortages. The challenge posed by an ageing population can lead to an imbalance between labour supply and demand. Legal immigration provides an avenue for younger workers to engage in the economy alongside the elderly, thereby sustaining economic growth. In conclusion, the issues related to an ageing population pose a profound challenge to societies and governments, yet there are viable solutions. Enhancing healthcare, endorsing active ageing and lifelong learning and advocating for legal immigration are all strategies to address these challenges.

Addressing the complexities linked with an increasingly aged society represents a significant undertaking for the community at large. Demonstrating reverence and support for the elderly not only aligns with our ethical obligations but also holds the potential to yield both economic and social advantages. Seniors possess a wealth of experiences and knowledge which can be transmitted to younger cohorts. By encouraging social engagement and economic involvement among the elderly, the collective income of society can rise, consequently enhancing overall quality of life. A fundamental aspect of effectively managing an ageing population involves the establishment of a robust health and social welfare framework. Given the usual necessity for long-term care among older individuals, it is imperative that governments and healthcare providers are adequately equipped to cater for their needs. Furthermore, promoting opportunities for social interaction and cultural engagement among seniors is vital to prevent feelings of exclusion. However, mitigating the challenges posed by an ageing society falls not only within the purview of governments but also demands action from families and individuals. Fostering financial reserves for old age and making judicious choices regarding healthcare and life insurance are pivotal in enabling individuals to age gracefully. Successfully addressing the predicaments of an ageing populace necessitates a comprehensive and

¹⁹ SHEYKHI 2020

²⁰ KOHLI et al. 2020.

²¹ CARRERA 2023.



enduring approach. The formulation and execution of appropriate social, economic and healthcare policies stand as indispensable measures for the well-being of senior citizens as well as for the society.

The presence of older workers in the labour market poses a multifaceted challenge necessitating resolution. Older employees bring a wealth of value to the workforce, showcasing remarkable experience and expertise. It is imperative to offer seniors age-appropriate roles that align with their physical and cognitive capabilities. Moreover, avenues for professional growth, remote work options and access to health and well-being initiatives should be extended to older individuals. Establishing age-friendly work environments stands as a critical step toward addressing this issue. Age-based discrimination is intolerable, and equal opportunities should be extended to all workers in the labour market. Involving older employees in decision-making and performance evaluation processes at work can aid in diminishing discriminatory practices. Extended participation of older workers in the workforce proves advantageous for the economy, fostering labour market stability and heightening economic vitality. Upholding support and opportunities for older individuals is not only vital for employers and employees but also for society at large, safeguarding the welfare of seniors and bolstering economic progress and stability. To conclude, the integration of older workers in the labour force is both crucial and indispensable, warranting employers and society to furnish them with suitable backing and prospects. Diversity in the labour sector and unbiased employment practices underpin a sound and equitable labour market strategy.

Study of the labour market effects of an ageing society

History – The impact of the Covid-19 pandemic on labour market processes

The Covid-19 pandemic significantly influenced global labour market trends, leading to a profound impact on economies worldwide. Various sectors experienced setbacks, resulting in a sharp rise in unemployment rates in numerous countries. Downsizing and layoffs surged as businesses either closed or scaled back operations to accommodate the new circumstances. Prolonged or short-term unemployment adversely affected individuals' financial stability and quality of life, exacerbating economic challenges. Nevertheless, the emergence of remote and online work presented fresh opportunities, enabling adaptable businesses to navigate the crisis successfully. Notably, the healthcare and technology sectors emerged as key job creators, capitalising on the increased demand for digital solutions and online communication during the pandemic.

The worldwide repercussions of the Covid-19 outbreak forced many enterprises to shut down or downsize operations, leading to substantial job losses. Industries such as hospitality, travel and entertainment bore the brunt of the impact, given their reliance on social interactions and personal engagements, which were impeded by pandemic-related restrictions and strict social distancing guidelines. Layoffs and reduced working



hours escalated unemployment rates, impacting the broader economy.²² Governments and organisations endeavoured to alleviate the economic fallout through various measures like subsidies, tax relief and credit initiatives aimed at supporting businesses and individuals during the challenging times.

The economic aftermath of the coronavirus crisis brought about significant shifts in the labour market landscape. Essential roles such as healthcare, delivery, warehousing and grocery services experienced heightened demand due to the pandemic's exigencies and people's essential needs.²³ Conversely, the demand for labour in sectors such as hospitality, tourism and entertainment dwindled as restrictions curtailed travel and in-person leisure activities. Consequently, many employees in these domains lost their jobs, prompting operational difficulties for numerous establishments.²⁴ The enduring impact of these changes underscores the need to monitor industry-specific labour demands as circumstances evolve. Nonetheless, the persistent trend of digitisation and the expansion of online commerce within pandemic-resilient sectors are poised to sustain robust labour market demand over the long term.

The Covid-19 pandemic has led to a rapid increase in telecommuting²⁵ and the adoption of flexible working hours²⁶ across many global organisations. Working remotely has proven to be indispensable not only during the crisis for ensuring employee safety and well-being, but it is now gaining popularity and is anticipated to become a fundamental method of work in the long run. Telecommuting offers several advantages, including providing employees with greater flexibility in their work arrangements, enabling them to better tailor their work to suit their individual needs and personal obligations. Furthermore, remote work allows employees to save time on commuting, leading to potential enhancements in their quality of life and a reduction in stress levels. Employers also reap numerous benefits from telecommuting, such as cost savings, increased employee productivity, better work-life balance and the ability to recruit talented individuals from anywhere in the world more easily. With the scale of advantages outweighing the drawbacks, it is probable that remote work and flexible working arrangements will continue to gain traction in the future, with more organisations adopting this mode of operation. While challenges like supervising employees and cultivating a conducive work environment exist, these obstacles can be surmounted with the implementation of appropriate systems and policies.

Government interventions worldwide have exhibited varying levels of efficacy in mitigating the impacts on the labour market. Measures like vacation schemes, wage subsidies and unemployment benefits have been instrumental in helping workers retain their jobs or receive necessary assistance during periods of joblessness. However, the effectiveness of these measures has not been uniform across countries and industries. Some nations have prioritised supporting their labour markets by offering more wage subsidies, resulting in a lower unemployment rate, while others have struggled to lower their unemployment figures and facilitate reemployment opportunities for affected

²² RICHTER 2021.

²³ HR Cloud 2022.

²⁴ VIDOVIC 2022.

²⁵ United Nations 2022.

²⁶ International Labour Organization 2023.



individuals. Factors such as the sector and specific workplaces also play a crucial role in determining the success of governmental interventions. Industries severely affected by the pandemic, such as travel and hospitality, experienced significant job losses despite wage support initiatives. Conversely, sectors like healthcare and technology demonstrated greater job security. It is essential to acknowledge that the impact of the pandemic on the labour market is globally pervasive, albeit varying in intensity across different countries and sectors. Governments must vigilantly monitor the situation and implement suitable measures to support workers.²⁷ While the road to economic recovery and job restoration may be protracted, adaptability and flexibility are imperative for navigating the crisis and fostering future growth prospects.

The problem of an ageing workforce

The ageing workforce is a growing phenomenon in many developed countries, driven by demographic shifts and increasing life expectancy. This trend presents both challenges and opportunities for organisations, impacting labour costs, productivity and workplace dynamics. Understanding how organisations perceive and respond to an ageing workforce is crucial for developing effective management strategies. Many organisations recognise more advantages than challenges in employing older workers, such as their experience and reliability, but some still struggle to adapt training and work practices to accommodate them.²⁸ Employers often have negative attitudes towards the employability of older workers, despite their crucial role in knowledge transfer and human capital.²⁹ Organisations are modifying retirement policies, working conditions and employee benefits to address the ageing workforce.³⁰ There is a lack of formal age-related human resource management practices, with many organisations relying on informal, unit-level responses instead.³¹ Some industries and countries, like Germany, have more formal practices and greater flexibility in managing an ageing workforce due to their employee relations systems and human resource planning.³² Age discrimination in the workplace can lead to absenteeism, lower productivity and early retirement, highlighting the need for inclusive management practices.³³ The physical, cognitive, ergonomic, and well-being conditions of older workers are significant concerns, especially in industries adopting Industry 4.0 technologies.³⁴

The issue of an ageing workforce pertains to the demographic phenomenon of a rising proportion of older employees within the workforce, leading to various economic, social and health implications. This shift is attributable to a confluence of factors, including extended life expectancies, declining birth rates and postponed retirement ages.

²⁷ International Monetary Fund 2021.

²⁸ EGDELL et al. 2021.

²⁹ KOSOWSKI 2020.

³⁰ CLARK-RITTER 2020.

³¹ CLARK 2020.

³² BERG-PISZCZEK 2021.

³³ FILHO et al. 2023.

³⁴ ALVES 2022.



One notable concern associated with an ageing workforce is the risk of labour shortages in specific sectors or geographical areas, especially those heavily reliant on physically arduous tasks or extensive specialised expertise. Such shortages can result in skills mismatches, diminished productivity and slower economic advancement. Furthermore, an ageing workforce poses challenges related to escalating healthcare expenses, as older workers are more prone to age-related health issues necessitating medical intervention. Moreover, it can elevate the demand for welfare benefits like social security and pensions, straining public finances and contributing to broader economic challenges. Additionally, an ageing workforce may engender social ramifications, such as potential age-based discrimination against older workers and difficulties in adapting to evolving technologies and work environments, leading to social isolation, reduced job satisfaction and diminished overall well-being. To tackle these issues, businesses and policymakers can implement strategies like enhancing training and educational initiatives to enhance older workers' skills, introducing flexible work arrangements tailored to accommodate the needs of older employees and bolstering investments in healthcare and retirement insurance schemes. Moreover, policies incentivising greater labour force participation among older adults, such as tax breaks or vocational retraining schemes, can help offset the adverse effects of an ageing workforce.³⁵

Possible ways to eliminate labour shortages caused by ageing

The ageing workforce and global labour shortages have prompted organisations to consider retaining older workers as a strategic initiative to mitigate these challenges. Employers facing recruitment difficulties are more likely to support older workers continuing until or beyond retirement age and to hire retired individuals, especially if they have positive perceptions of older workers' experience and adaptability.³⁶ Older Worker-oriented HRPs, such as reducing ageism and improving work-life balance, are associated with lower psychological distress and higher retention of older workers.³⁷ Ambivalent ageism (stereotypes of fragility and incompetence) negatively impacts older workers' well-being, perceived employability and increases their intentions to leave. Reducing ageism can improve retention.³⁸ Adjusting work conditions to match the health and functional capacity of older workers can mitigate labour shortages and improve occupational safety, particularly in physically demanding jobs.³⁹ Providing training opportunities and fostering a climate that supports older workers' growth needs can enhance their retention, even among those eligible for retirement.⁴⁰ Positive work environment adaptations, re-employment of retired employees and favourable views of older workers' productivity help avoid early retirement and extend working lives.⁴¹

³⁵ VERLINDEN 2022.

³⁶ RIEKHOFF et al. 2023.

³⁷ FARR-WHARTON et al. 2023.

³⁸ LAGACÉ et al. 2023.

³⁹ PENG-CHAN 2020.

⁴⁰ LI et al. 2022.

⁴¹ QVIST 2023.



Designing jobs with characteristics that support older workers' needs, such as autonomy, mentorship and flexible working hours, can sustain their employability across different job types.⁴² Understanding changes in cognitive function and tailoring training programs to older workers' needs can enhance their skills and retention, providing a competitive edge for organisations.⁴³

Ageing labour shortages pose a significant challenge that can be mitigated through the promotion of legal immigration. Integrating skilled workers into the economy and workforce has the potential to fuel economic expansion and enhance competitiveness. Streamlining visa processes and relaxing policies pertaining to legal immigration would facilitate the entry of more skilled workers into the nation. Nevertheless, these initiatives must prioritise the security and economic concerns of the country, exercising caution to prevent excessive pressure from legal immigration or societal issues. Beyond immigration policies and visa simplification, additional strategies may be required to attract skilled workers. These could encompass providing top-tier educational and training opportunities, along with ensuring competitive wages and benefits. It is essential to recognise that stimulating legal immigration alone cannot fully address the labour shortage issue. Supporting an ageing workforce necessitates ensuring the sustainability and ample funding of the public pension system, as well as creating avenues for retired individuals to engage in the labour market.⁴⁴

Promoting continuous learning and training programs plays a crucial role in enhancing the competitiveness of older workers within the labour market. Governments play a pivotal role in endorsing these endeavours and fostering a culture of lifelong learning and development among employees. Training and ongoing education for older workers empower them to enhance their skills in emerging technologies and work methodologies, thereby bolstering their adaptability to evolving work environments. Companies stand to gain from providing opportunities for continuous learning and training to older workers. This approach can heighten employee motivation and loyalty by demonstrating employer support for their professional growth and contributions. Moreover, trained and upskilled workers tend to be more efficient and productive, offering a distinct advantage to employers. Overall, backing for lifelong learning and training programs can enable older employees to maintain their competitiveness in the labour market while delivering benefits to employers in terms of retaining skilled and dedicated workforce.⁴⁵

Implementing flexible work arrangements fosters the employment of older workers and prolongs their tenure in the labour force. Part-time work options afford older employees the chance to extend their careers with reduced workloads and lower stress levels. Remote work further enhances flexibility, allowing employees to work from home and curbing travel time and expenses. Embracing flexible work schedules can also be advantageous for employers as they retain knowledgeable personnel who bring valuable expertise to the organisation. Moreover, flexible work arrangements can curb

⁴² BOER et al. 2021.

⁴³ TAYLOR-BISSON 2020.

⁴⁴ LANGTON 2022.

⁴⁵ OECD 2023.



turnover rates and hiring costs by enhancing employee satisfaction and longevity with the company. The commitment and experience of older workers hold significant value for businesses. Leveraging flexible work arrangements enables these individuals to remain active in the labour market, ensuring that companies retain skilled staff.⁴⁶

Automation and technology undoubtedly have the potential to mitigate the challenges posed by the ageing workforce gap. Through automation and robotisation, repetitive and physically strenuous tasks can be mechanised, allowing older employees to concentrate on more intricate and less physically demanding assignments. The utilisation of automation offers numerous advantages to older workers, such as reduced physical strain and a more serene work environment. Furthermore, by embracing automation and technology, work productivity can be enhanced, consequently boosting employee performance and contentment over the long term. Older workers can contribute valuable insights by leveraging their wealth of experience and expertise to optimise and refine automation processes. However, it is crucial to acknowledge that while automation can streamline operations, it cannot wholly supplant human labour. Hence, older workers must adeptly acquire new technologies and systems to successfully navigate the evolving landscape of the job market.⁴⁷

Social innovation presents an opportunity to combat labour scarcity resulting from demographic ageing. As the elderly population continues to grow in significance, innovative solutions are essential to enhancing their quality of life amidst longer lifespans. Developing products and services tailored to the needs of the elderly not only addresses labour shortages but also enriches the lives of seniors. For instance, the advancement of smart home technologies streamlines daily tasks, promoting safe and comfortable living for the elderly. Additionally, services like virtual health consultations and remote health monitoring aid seniors in managing and improving their well-being. Entrepreneurial ventures could be established to provide personalised services for older individuals, including home care assistance, social engagement activities and delivery services for essential goods and medications.⁴⁸

An ageing workforce remains a pivotal component of labour markets, presenting opportunities for mentorship and skills development among younger employees. Collaborative work environments comprising of multi-generational teams facilitate the transfer of knowledge and experience. Older workers stand to benefit from the fresh perspectives and innovative solutions brought forth by their younger counterparts. The accumulated experience and expertise of elderly employees are highly valuable to businesses, offering unique advantages such as effective customer communication and complex problem-solving abilities. Conversely, younger workers can glean invaluable insights from older generations on workplace decorum, communication efficacy and leadership skills. Mentoring programs involving older workers provide younger employees with an avenue for skill enhancement and professional growth. Ultimately,

⁴⁶ ALLEN et al. 2021.

⁴⁷ WYMAN 2023.

⁴⁸ KLIMCZUK-TOMCZYK 2020.



fostering collaboration between employees of varying age groups proves advantageous for both organisations and individuals, serving as a key strategy to alleviate workforce shortages and enhance organisational efficiency and success.⁴⁹

Summary, drawing more important conclusions

The 21st century has introduced significant social challenges to Europe, primarily propelled by demographic changes like ageing populations. This paper delves into the multifaceted repercussions of these transformations on the European Union (EU), with a specific focus on their implications for social security, healthcare systems, labour markets and economic stability. As life expectancy rises and birth rates decline, EU nations experience pressures on healthcare services and pension systems, alongside opportunities for economic growth and innovation stemming from the unique contributions of older workers. Demographic shifts present both challenges and prospects for the EU. The ageing population escalates fiscal strains on healthcare and social security systems, potentially resulting in heightened debt levels and budget deficits. Nonetheless, enhancing the labour force engagement of older employees can amplify productivity and propel economic expansion. Comprehensive strategies that address regional and national variations, sustainability of social security, labour market adaptability, educational systems, and immigration policies are imperative to navigate these transitions. The pace of population growth has decelerated, exacerbated by the Covid-19 pandemic, resulting in reduced birth rates, increased mortality rates and inadequate migration. This demographic change exhibits distinct impacts in urban and rural regions, each encountering unique challenges and opportunities. Urban areas benefit from attracting young, highly skilled professionals, while rural areas encounter difficulties with connectivity, infrastructure and public services. The phenomenon of population ageing, characterised by a growing proportion of elderly individuals, poses substantial economic and social hurdles. By 2050, Europe is projected to witness the elderly segment surpassing 30%, escalating the old-age dependency ratio and heightening fiscal sustainability concerns. The surge in healthcare and long-term care services will necessitate augmented expenditure and infrastructural modifications. The Covid-19 pandemic has notably shaped global labour markets, leading to elevated unemployment rates, particularly in sectors like hospitality and entertainment. Nevertheless, remote and online work have emerged as new prospects. An ageing workforce gives rise to challenges related to healthcare costs, social security obligations and potential labour scarcities. Strategies to alleviate these impacts encompass legal immigration, ongoing education, flexible work arrangements and the adoption of automation and technology. Encouraging legal immigration can help address labour shortages, while continuous learning initiatives enhance the competitiveness of older workers. Flexible work setups, such as part-time and remote options, can prolong the engagement of older employees in the labour market. Automation and technology have the potential to reduce physical strain and bolster productivity, while social innovation can enhance the quality of life for the elderly.

⁴⁹ BOATMAN 2021.



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